



**Financial Report
with Additional Information
February 29, 2004**

Village of Paw Paw, Michigan Van Buren County

**Financial Report
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Village of Paw Paw, Michigan

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Village of Paw Paw, Michigan

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Plante & Moran, PLLC
Suite 120
511 Renaissance Drive
St. Joseph, MI 49085
Tel: 269.982.8000
Fax: 269.982.2800
plantemoran.com

Independent Auditors' Report

To the Village Council
Village of Paw Paw, Michigan
Van Buren County

We have audited the accompanying general purpose financial statements of the Village of Paw Paw, Michigan as of February 29, 2004 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Paw Paw, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the General Fixed Assets Account Group, which should be included to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the General Fixed Assets Account Group is not known.

In our opinion, except for the effect on the financial statements of the omission as described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Paw Paw, Michigan as of February 29, 2004 and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

July 15, 2004

Village of Paw Paw, Michigan

	Governmental Fund Types	
	General	Special Revenue
Assets		
Cash and cash equivalents (Note 2)	\$ 633,014	\$ 449,690
Receivables:		
Taxes (Note 3)	53,943	21,576
Customers	16,481	-
Special assessments	-	18,769
Notes receivable (Note 1)	-	524,223
Due from other funds (Note 4)	382,235	34,154
Due from primary government	-	-
Due from other governmental units	192	60,822
Inventory	-	-
Advances to other funds (Note 5)	64,424	-
Capital assets (Note 6)	-	-
Amount to be provided for retirement of general long-term debt	-	-
	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 1,150,289</u></u>	<u><u>\$ 1,109,234</u></u>

**Combined Balance Sheet
All Fund Types and Account Group**

Proprietary Fund Types		Account Group	Total Primary Government (Memorandum Only)		Component Unit
		General			Downtown
Enterprise	Internal Service	Long-Term Debt	February 29, 2004	February 28, 2003	Development Authority
\$ 1,641,853	\$ 55,135	\$ -	\$ 2,779,692	\$ 2,201,305	\$ 162,761
-	-	-	75,519	61,680	-
514,890	-	-	531,371	533,838	-
-	-	-	18,769	37,537	-
-	-	-	524,223	688,374	45,248
48,367	17,845	-	482,601	77,980	-
-	-	-	-	-	104,861
-	-	-	61,014	112,276	-
68,972	-	-	68,972	57,028	-
780,684	-	-	845,108	857,641	-
10,114,581	331,051	-	10,445,632	10,804,697	-
-	-	178,151	178,151	181,033	-
<u>\$ 13,169,347</u>	<u>\$ 404,031</u>	<u>\$ 178,151</u>	<u>\$ 16,011,052</u>	<u>\$ 15,613,389</u>	<u>\$ 312,870</u>

Village of Paw Paw, Michigan

	Governmental Fund Types	
	General	Special Revenue
Liabilities and Fund Equity		
Liabilities		
Accounts payable	\$ 21,409	\$ 2,921
Accrued and other liabilities	47,861	4,044
Customer deposits	-	-
Due to other governmental units	-	-
Due to other funds (Note 4)	30,850	137,066
Due to component unit	104,861	-
Deferred revenue (Note 8)	-	542,992
Advances from other funds (Note 5)	-	-
Long-term debt (Note 7)	-	-
Total liabilities	204,981	687,023
Fund Equity		
Contributed capital (Note 9)	-	-
Retained earnings	-	-
Fund Balance		
Reserved for general liability claims	69,885	-
Unreserved	875,423	422,211
Total fund equity	945,308	422,211
Total liabilities and fund equity	<u>\$ 1,150,289</u>	<u>\$ 1,109,234</u>

Combined Balance Sheet (Continued)
All Fund Types and Account Group

Proprietary Fund Types		Account Group	Total Primary Government (Memorandum Only)		Component Unit
Enterprise	Internal Service	General	February 29, 2004	February 28, 2003	Downtown Development Authority
		Long-Term Debt			
\$ 214,361	\$ 5,599	\$ -	\$ 244,290	\$ 227,546	\$ 4,698
74,100	21,547	-	147,552	142,072	127
33,872	-	-	33,872	27,932	-
-	-	-	-	125	-
235,043	79,642	-	482,601	77,980	-
-	-	-	104,861	-	-
-	-	-	542,992	725,911	45,248
845,108	-	-	845,108	857,641	-
<u>2,377,340</u>	<u>-</u>	<u>178,151</u>	<u>2,555,491</u>	<u>2,703,373</u>	<u>-</u>
3,779,824	106,788	178,151	4,956,767	4,762,580	50,073
3,644,692	188,011	-	3,832,703	3,939,656	-
5,744,831	109,232	-	5,854,063	5,807,081	-
-	-	-	69,885	69,381	-
-	-	-	1,297,634	1,034,691	262,797
<u>9,389,523</u>	<u>297,243</u>	<u>-</u>	<u>11,054,285</u>	<u>10,850,809</u>	<u>262,797</u>
<u>\$ 13,169,347</u>	<u>\$ 404,031</u>	<u>\$ 178,151</u>	<u>\$ 16,011,052</u>	<u>\$ 15,613,389</u>	<u>\$ 312,870</u>

Village of Paw Paw, Michigan

	General	Special Revenue
Revenue		
Property taxes	\$ 781,936	\$ 289,772
Special assessments	-	20,645
State sources	375,994	230,136
Fines and forfeitures	20,332	-
Licenses and permits	30,304	22,170
Fundraising	-	38,844
Interest and rents	24,440	25,547
Contributions from other funds	598,567	-
Other	10,364	94,610
Total revenue	1,841,937	721,724
Expenditures		
General government	343,362	-
Public safety	712,460	28,106
Public works	527,104	500,482
Parks and recreation	87,656	-
Other	-	76,044
Total expenditures	1,670,582	604,632
Excess (Deficiency) of Revenue Over Expenditures	171,355	117,092
Other Financing Sources (Uses)		
Operating transfers in	-	10,000
Operating transfers out	(35,000)	-
Total other financing sources (uses)	(35,000)	10,000
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Uses	136,355	127,092
Fund Balances - Beginning of year	808,953	295,119
Fund Balances - End of year	\$ 945,308	\$ 422,211

See Notes to Financial Statements.

**Combined Statement of Revenues, Expenditures and
Changes in Fund Balances – All Governmental Fund Types**

Year Ended		Component Unit
February 29, 2004	February 28, 2003	Downtown Development Authority
	(Memorandum Only)	
\$ 1,071,708	\$ 1,021,104	\$ 168,163
20,645	62,213	-
606,130	563,042	-
20,332	14,653	-
52,474	50,289	-
38,844	47,558	-
49,987	57,321	1,715
598,567	557,370	-
104,974	102,308	5,056
2,563,661	2,475,858	174,934
343,362	305,024	-
740,566	755,149	-
1,027,586	1,367,921	-
87,656	62,946	-
76,044	105,802	141,371
2,275,214	2,596,842	141,371
288,447	(120,984)	33,563
10,000	178,000	-
(35,000)	(178,000)	-
(25,000)	-	-
263,447	(120,984)	33,563
1,104,072	1,225,056	229,234
\$1,367,519	\$1,104,072	\$ 262,797

Village of Paw Paw, Michigan

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Property taxes	\$ 803,000	\$ 781,936	\$ (21,064)
Special assessments	-	-	-
State sources	391,700	375,994	(15,706)
Fines and forfeitures	19,000	20,332	1,332
Licenses and permits	27,500	30,304	2,804
Fundraising	-	-	-
Interest and rents	27,800	24,440	(3,360)
Contributions from other funds	657,688	598,567	(59,121)
Other	39,440	10,364	(29,076)
Total revenue	1,966,128	1,841,937	(124,191)
Expenditures			
General government	371,350	343,362	27,988
Public safety	735,500	712,460	23,040
Public works	629,610	527,104	102,506
Parks and recreation	206,200	87,656	118,544
Other	-	-	-
Total expenditures	1,942,660	1,670,582	272,078
Excess (Deficiency) of Revenue Over Expenditures	23,468	171,355	147,887
Other Financing Sources (Uses)			
Operating transfers in	-	-	-
Operating transfers out	(40,000)	(35,000)	5,000
Total other financing sources (uses)	(40,000)	(35,000)	5,000
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Uses	(16,532)	136,355	152,887
Fund Balances - Beginning of year	808,953	808,953	-
Fund Balances - End of year	\$ 792,421	\$ 945,308	\$ 152,887

**Combined Statement of Revenues, Expenditures and
Changes in Fund Balances – Budget and Actual
General and Special Revenue Fund Types
Year Ended February 29, 2004**

Special Revenue Funds		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 294,400	\$ 289,772	\$ (4,628)
21,583	20,645	(938)
222,600	230,136	7,536
-	-	-
37,200	22,170	(15,030)
53,000	38,844	(14,156)
29,105	25,547	(3,558)
-	-	-
156,510	94,610	(61,900)
814,398	721,724	(92,674)
-	-	-
33,750	28,106	5,644
602,904	500,482	102,422
-	-	-
190,117	76,044	114,073
826,771	604,632	222,139
(12,373)	117,092	129,465
10,000	10,000	-
-	-	-
10,000	10,000	-
(2,373)	127,092	129,465
295,119	295,119	-
\$ 292,746	\$ 422,211	\$ 129,465

Village of Paw Paw, Michigan

Combined Statement of Revenues, Expenses and Changes in Retained Earnings – All Proprietary Fund Types

			Year Ended	
	Enterprise	Internal Service	February 29, 2004	February 28, 2003
				(Memorandum Only)
Operating Revenue				
Charges for services	\$ 3,655,581	\$ -	\$ 3,655,581	\$ 3,882,986
Rental	54,101	290,898	344,999	338,028
Miscellaneous and all other	25,489	7,856	33,345	25,790
Total operating revenue	3,735,171	298,754	4,033,925	4,246,804
Operating Expenses				
Energy purchased	1,917,008	-	1,917,008	1,954,304
Salaries, wages and benefits	423,007	114,592	537,599	560,284
Supplies	66,513	31,116	97,629	118,416
Contracted services	245,400	15,236	260,636	230,726
Payment in lieu of taxes	145,000	-	145,000	145,000
Utilities	21,769	-	21,769	24,245
Repairs and maintenance	37,428	34,356	71,784	96,492
Rental	91,055	-	91,055	112,979
Depreciation	394,192	47,540	441,732	433,406
Administrative services transfer	389,718	34,473	424,191	395,685
Other	14,426	8,744	23,170	24,247
Total operating expenses	3,745,516	286,057	4,031,573	4,095,784
Operating Income (Loss)	(10,345)	12,697	2,352	151,020
Nonoperating Revenue (Expenses)				
Interest income	36,489	629	37,118	49,974
Interest expense	(124,441)	-	(124,441)	(130,692)
Operating transfer in	-	25,000	25,000	-
Total non-operating revenue (expenses)	(87,952)	25,629	(62,323)	(80,718)
Net Income (Loss)	(98,297)	38,326	(59,971)	70,302
Depreciation on Fixed Assets Acquired from Grants	106,953	-	106,953	106,953
Retained Earnings - Beginning of year	5,736,175	70,906	5,807,081	5,629,826
Retained Earnings - End of year	<u>\$ 5,744,831</u>	<u>\$ 109,232</u>	<u>\$ 5,854,063</u>	<u>\$ 5,807,081</u>

Village of Paw Paw, Michigan

Combined Statement of Cash Flows All Proprietary Fund Types

	Year Ended			
	Enterprise	Internal Service	February 29, 2004	February 28, 2003
	(Memorandum Only)			
Cash Flows from Operating Activities				
Operating income (loss)	\$ (10,345)	\$ 12,697	\$ 2,352	\$ 151,020
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	394,192	47,540	441,732	433,406
Changes in assets and liabilities:				
Receivables	443	-	443	15,827
Inventory	(11,944)	-	(11,944)	(5,931)
Due from other funds	26,967	(17,845)	9,122	(54,834)
Accounts payable	33,621	(3,286)	30,335	(6,334)
Customer deposits	5,940	-	5,940	890
Accrued liabilities	(4,774)	2,380	(2,394)	8,632
Due to other funds	<u>205,430</u>	<u>79,642</u>	<u>285,072</u>	<u>(37,988)</u>
Net cash provided by operating activities	639,530	121,128	760,658	504,688
Cash Flows from Noncapital Financing Activities				
Long-term advance from other funds	-	-	-	75,000
Repayment of long-term advance from other funds	(10,576)	-	(10,576)	(13,205)
Operating transfers from other funds	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	(10,576)	25,000	(10,576)	61,795
Cash Flows from Capital and Related Financing Activities				
Principal paid on long-term debt	(145,000)	-	(145,000)	(290,415)
Interest paid on long-term debt	(124,441)	-	(124,441)	(130,692)
Purchase of capital assets	<u>(14,433)</u>	<u>(92,956)</u>	<u>(107,389)</u>	<u>(472,909)</u>
Net cash used in capital and related financing activities	(283,874)	(92,956)	(376,830)	(894,016)

Village of Paw Paw, Michigan

Combined Statement of Cash Flows All Proprietary Fund Types (Continued)

			Year Ended	
	Enterprise	Internal Service	February 29, 2004	February 28, 2003
				(Memorandum Only)
Cash Flows from Investing Activities				
Redemption of investments	-	-	-	100,000
Interest received on investments	36,489	629	37,118	49,974
Proceeds from the sale of capital assets	24,722	-	24,722	-
Net cash provided by investing activities	61,211	629	61,840	149,974
Net Increase (Decrease) in Cash and Cash Equivalents	406,291	53,801	435,092	(177,559)
Cash and Cash Equivalents - Beginning of year	1,235,562	1,334	1,236,896	1,414,455
Cash and Cash Equivalents - End of year	\$ 1,641,853	\$ 55,135	\$ 1,671,988	\$ 1,236,896

Village of Paw Paw, Michigan

Notes To Financial Statements February 29, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Village is governed by an elected seven-member Council. As required by accounting principles generally accepted in the United States of America, these financial statements present the Village of Paw Paw, Michigan and its component unit. The individual component unit discussed below is included in the Village reporting entity because of the significance of its operational or financial relationships with the Village.

The following component unit is reported within the component unit column in the combined financial statements. It is reported in a separate column to emphasize that it is legally separate from the Village.

- a. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation and to promote economic growth within the downtown district. The Authority's governing body, which consists of thirteen individuals, is selected by the Village Council. In addition, the Authority's budget is subject to approval by the Village Council.

Fund Accounting

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

Governmental Funds

General Fund - The General Fund contains the records of the ordinary activities of the Village that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue and other sources.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for the results of operations that provide a service to citizens that is financed primarily by a user charge for the provision of that service.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

Basis of Accounting

The accrual basis of accounting is used by the proprietary funds. All governmental funds and component units utilize the modified-accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31. The related property taxes are billed and become a lien on July 1 of the following year. These taxes are due on September 14 with the final collection date of February 28 before they are added to the county tax rolls.

- b. Noncurrent receivables, such as special assessments and notes receivable, are recorded at full value and deferred revenue is recorded for the portion not available for use to finance operations as of year-end.
- c. Interest income on special assessments receivable is not accrued until its due date.
- d. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- e. Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.
- f. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Village of Paw Paw, Michigan

Notes To Financial Statements February 29, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

- g. The noncurrent portion of accumulated sick and vacation pay liabilities is reflected in the General Long-term Debt Account Group.

Fixed Assets and Long-term Liabilities – The Village does not maintain a record of its general fixed assets.

All fixed assets in the Proprietary Funds are recorded at cost or, if donated, at their estimated fair value on the date donated. Fixed assets purchased by governmental funds are recorded as expenditures in those funds.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

The General Long-term Debt Account Group is not a fund and does not involve the measurement of results of operations.

Fixed assets and long-term liabilities relating to the proprietary funds are accounted for in those funds. Depreciation on such fixed assets is charged as an expense against the operations of the proprietary funds on a straight-line basis.

Cash Equivalents - For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Notes Receivable – Notes receivable represent loans made by the Revolving Loan Fund and the Downtown Development Authority to corporate taxpayers. Based on an evaluation of the credentials of such loans, the Village has provided an allowance for possible collection losses. This net amount is also recorded as deferred revenue. These notes bear interest at rates ranging from 2.5 percent to 7 percent and are due in years beginning 2004 through 2008.

Inventories - Inventories in the Enterprise Funds are valued at cost, on a first-in, first-out basis, which approximates market value.

Use of Estimates – The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Village of Paw Paw, Michigan

Notes To Financial Statements February 29, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Memorandum Only Totals - The total data presented is the aggregate of the fund types and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Other accounting policies are disclosed in other notes to financial statements.

Note 2 - Deposits

The Village's deposits are included on the balance sheet under the following classifications:

Cash and cash equivalents	<u>\$ 2,779,692</u>
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The above amounts are classified by Governmental Accounting Standards Board Statement Number 3 in the following categories:

Bank deposits (checking accounts, money market accounts and certificates of deposit)	\$ 2,779,102
Petty cash or cash on hand	<u>590</u>
Total	<u>\$ 2,779,692</u>

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$2,808,999. Of that amount, approximately \$200,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution it deposits Village funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The deposits of the Village's component unit consist of bank deposits of \$162,761. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$162,761. The federal depository insurance coverage pertains to all deposits of the Village of Paw Paw, hence, the specific coverage pertaining to the component unit's deposits, if any, is not determinable.

Village of Paw Paw, Michigan

Notes To Financial Statements February 29, 2004

Note 3 - Property Taxes Receivable

The delinquent real property taxes of the Village are purchased by the County of Van Buren. The county sells tax notes, the proceeds of which will be used to pay the Village for these property taxes. These taxes have been recorded as revenue for the current year.

Note 4 - Interfund Receivables

The following are the interfund receivables at February 29, 2004:

General Fund	
Special Revenue Funds	\$ 82,362
Enterprise Funds	220,231
Internal Service Fund	<u>79,642</u>
Total General Fund	382,235
Special Revenue Funds	
General Fund	30,850
Special Revenue Funds	658
Enterprise Funds	<u>2,646</u>
Total Special Revenue Funds	34,154
Enterprise Funds	
Special Revenue Funds	48,367
Internal Service Fund	
Special Revenue Funds	5,679
Enterprise Funds	<u>12,166</u>
Total Internal Service Fund	<u>17,845</u>
Total	<u><u>\$ 482,601</u></u>

Village of Paw Paw, Michigan

Notes To Financial Statements February 29, 2004

Note 5 – Advances To/From Other Funds

Advances between funds bear interest at a rate of three percent, payable monthly, with principal due on demand.

General Fund	
Enterprise Funds	\$ 64,424
Enterprise Funds	
Enterprise Funds	780,684
Total	<u>\$ 845,108</u>

Note 6 – Capital Assets

A summary of proprietary fund fixed assets at February 29, 2004 follows:

	Enterprise Funds	Internal Service Funds	Depreciable Life - Years
Land	\$ 2,721,327	\$ -	-
Buildings	1,209,028	195,669	20-50
Utility system:			
Water and sewage transmission lines	4,303,464	-	50
Treatment facilities	4,523,919	-	50
Electric Systems	2,598,229	-	20-30
Machinery and equipment	1,715,689	207,299	3-10
Vehicles	<u>-</u>	<u>742,583</u>	5-8
Total	17,071,656	1,145,551	
Less accumulated depreciation	<u>6,957,075</u>	<u>814,500</u>	
Net	<u>\$ 10,114,581</u>	<u>\$ 331,051</u>	

Village of Paw Paw, Michigan

Notes To Financial Statements February 29, 2004

Note 7 - Long-Term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the Village:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Enterprise Funds:				
Van Buren County Refunding Bonds	1	3.80-4.55%	2013	\$ 1,000,000
Van Buren County Water Supply System Bonds	1	2.50%	2019	667,340
Van Buren County Sewage Disposal System	1	4.40-6.00%	2020	<u>710,000</u>
Total				2,377,340
General Long-Term Debt Account Group:				
Accumulated employee benefits				<u>178,151</u>
Total long-term debt				<u>\$ 2,555,491</u>

The accumulated employee benefits represent the estimated liability to be paid governmental fund type employees under the Village's sick and vacation pay policy, net of the portion that is estimated will be paid currently (which has been recorded as a liability in the applicable governmental fund). Under the Village's policy, employees earn sick and vacation time based on time of service with the Village.

Changes In Long-Term Debt

The following is a summary of long-term debt transactions of the Village for the year ended February 29, 2004:

Balance - March 1, 2003	\$ 2,703,373
Decrease in obligation for employee benefits	(2,882)
Debt retired	<u>(145,000)</u>
Balance - February 29, 2004	<u>\$ 2,555,491</u>

Village of Paw Paw, Michigan

Notes To Financial Statements February 29, 2004

Note 7 - Long-Term Debt (Continued)

Debt Service Requirements

The annual requirements to service all debt outstanding as of February 29, 2004, (excluding employee benefits, including both principal and interest) are as follows:

	Enterprise Funds
2005	\$ 243,332
2006	262,446
2007	255,730
2008	254,111
2009	247,202
Remaining years	<u>1,818,961</u>
Total	<u>\$ 3,081,782</u>

Interest

Total interest expense incurred for the Village for the year approximated \$125,000.

Note 8 - Deferred Revenue

Deferred revenue at February 29, 2004 consists of:

Special Revenue Funds	
Revolving loans (Note 1)	\$ 524,223
Special assessments receivable	<u>18,769</u>
Total deferred revenue	<u>\$ 542,992</u>

Village of Paw Paw, Michigan

Notes To Financial Statements February 29, 2004

Note 9 – Contributed Capital

The following is an analysis of contributed capital:

	Enterprise Funds	Internal Service Funds
Balance - March 1, 2003	\$ 3,751,645	\$ 188,011
Depreciation on assets acquired with contributed capital	<u>(106,953)</u>	<u>-</u>
Balance - February 29, 2004	<u>\$ 3,644,692</u>	<u>\$ 188,011</u>

Note 10 - Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for workers' compensation claims and medical claims, and participates in the Michigan Municipal Risk Management Authority (risk pool) for claims relating to general liability and property and crime liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Village.

There are no estimated liabilities under this Plan at either February 29, 2004 or February 28, 2003.

Note 11 - Budget Information

The annual budget is prepared by the Village management and adopted by the Village Council; subsequent amendments are approved by the Village Council. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at February 29, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. A comparison of actual results of operations to the General Fund and Special Revenue funds budgets as adopted by the Village Council is included in the additional information.

There were no significant expenditure budget overruns.

The Building Inspection Fund has a deficit balance of approximately \$5,000 for the year ended February 29, 2004.

Village of Paw Paw, Michigan

Notes To Financial Statements February 29, 2004

Note 12 - Segment Information For Enterprise Funds

The Village maintains three Enterprise Funds that provide water, wastewater and electric services. Segment information for the year ended February 29, 2004 was as follows:

	Electric Fund	Wastewater Fund	Water Fund	Total Enterprise Funds
Operating revenue	\$ 2,618,898	\$ 658,076	\$ 458,197	\$ 3,735,171
Operating income (loss)	(84,890)	3,824	70,721	(10,345)
Nonoperating revenue (expenses)	33,733	(58,100)	(63,585)	(87,952)
Net income (loss)	(51,157)	(54,276)	7,136	(98,297)
Land, buildings and equipment:				
Additions	7,079	3,539	3,815	14,433
Depreciation expense	99,924	207,536	86,732	394,192
Net working capital (deficit)	1,375,664	335,378	(144,336)	1,566,706
Long-term debt	-	710,000	1,667,340	2,377,340
Total assets	3,873,422	5,783,396	3,512,529	13,169,347
Total equity	3,613,653	4,215,917	1,559,953	9,389,523

Note 13 - Pension Plan

Plan Description. The Village participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and supplementary information for the system. That report may be obtained by writing to the Michigan Municipal Employees Retirement System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy. The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village's competitive bargaining units and requires a contribution from the employees of between 3 and 5 percent.

Village of Paw Paw, Michigan

Notes To Financial Statements February 29, 2004

Note 13 - Pension Plan (Continued)

Annual Pension Cost. For the year ended February 29, 2004 the Village's annual pension cost of \$27,900 for the plan was equal to the Village's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return, and (b) projected salary increases of 4.5 plus a percentage based on an age-related scale to reflect merit, longevity and promotional increases. Both (a) and (b) include an inflation component of 4.50 percent. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period.

Three year trend information:

	Fiscal Year Ended		
	February 28, 2002	February 28, 2003	February 29, 2004
Annual pension cost	\$ -	\$ 6,278	\$ 27,900
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

	Actuarial Valuation as of December 31:		
	2001	2002	2003
Actuarial value of assets	\$ 4,514,409	\$ 4,561,025	\$ 4,853,357
Actuarial accrued liability	4,016,850	4,287,086	4,813,229
Unfunded AAL	(497,559)	(273,939)	(40,128)
Funded ratio	112	106	101
Covered payroll	1,048,497	1,135,160	1,099,492
UAAL as a percentage of covered payroll	-	-	-

Village of Paw Paw, Michigan

Notes To Financial Statements
February 29, 2004

Note 14 – Joint Venture

The Village is a member of the Paw Paw Fire Department which provides fire protection to the residents of the Village and four surrounding Townships. The participating municipalities provide funding for its operations. During the current year, the Village contributed approximately \$11,000 for its operations. The Village is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Fire Department can be obtained from the administrative offices at 111 East Michigan Avenue, Paw Paw, Michigan.

Additional Information



Plante & Moran, PLLC

Suite 120
511 Renaissance Drive
St. Joseph, MI 49085
Tel: 269.982.8000
Fax: 269.982.2800
plantemoran.com

To the Village Council
Village of Paw Paw, Michigan
Van Buren County

We have audited the general purpose financial statements of the Village of Paw Paw, Michigan for the year ended February 29, 2004. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Village of Paw Paw, Michigan. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Plante & Moran, PLLC

July 15, 2004

Village of Paw Paw, Michigan

General Fund Schedule of Revenue and Expenditures – Budget & Actual Year Ended February 29, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Revenue				
Property taxes	\$ 803,000	\$ 781,936	\$ (21,064)	\$ 747,836
License and Permits	27,500	30,304	2,804	19,997
State sources	391,700	375,994	(15,706)	342,396
Fines and forfeitures	19,000	20,332	1,332	14,653
Interest and rents	27,800	24,440	(3,360)	20,808
Contributions from other funds	657,688	598,567	(59,121)	557,370
Other revenue	39,440	10,364	(29,076)	24,254
Total revenue	\$ 1,966,128	\$ 1,841,937	\$ (124,191)	\$ 1,727,314
Expenditures				
General Government	\$ 371,350	\$ 343,362	\$ 27,988	\$ 305,024
Public Safety				
Police	685,500	669,686	15,814	662,007
Fire	12,500	10,931	1,569	44,609
Planning commission	37,500	31,843	5,657	17,086
Total public safety	735,500	712,460	23,040	723,702
Public Works	629,610	527,104	102,506	540,432
Parks and Recreation	206,200	87,656	118,544	62,946
Total expenditures	1,942,660	1,670,582	272,078	1,632,104
Other Financing Uses	40,000	35,000	5,000	178,000
Total expenditures and other financing uses	\$ 1,982,660	\$ 1,705,582	\$ 277,078	\$ 1,810,104

Village of Paw Paw, Michigan

	Major Streets	Local Streets	Building Inspection
Assets			
Cash and cash equivalents	\$ 120,579	\$ 116,603	\$ 4,448
Property taxes receivable	8,415	13,161	-
Accounts receivable	-	-	-
Notes receivable	-	-	-
Special assessments receivable	18,769	-	-
Due from other governmental units	48,666	12,156	-
Due from other funds	-	118	-
	<u>-</u>	<u>118</u>	<u>-</u>
Total assets	<u>\$ 196,429</u>	<u>\$ 142,038</u>	<u>\$ 4,448</u>
Liabilities and Fund Balances			
Accounts payable	\$ 457	\$ 915	\$ 635
Accrued and other liabilities	1,531	1,789	177
Due to other funds	71,199	39,408	8,382
Deferred revenue	18,769	-	-
	<u>18,769</u>	<u>-</u>	<u>-</u>
Total liabilities	91,956	42,112	9,194
Fund Balances (Deficits)	<u>104,473</u>	<u>99,926</u>	<u>(4,746)</u>
Total liabilities and fund balances	<u>\$ 196,429</u>	<u>\$ 142,038</u>	<u>\$ 4,448</u>

**Special Revenue Funds
Combining Balance Sheet**

Revolving Loan	Wine & Harvest	February 29, 2004	February 28, 2003
\$ 185,889	\$ 22,171	\$ 449,690	\$ 290,848
-	-	21,576	19,552
-	-	-	275
524,223	-	524,223	688,374
-	-	18,769	37,537
-	-	60,822	41,355
<u>33,496</u>	<u>540</u>	<u>34,154</u>	<u>2,646</u>
<u>\$ 743,608</u>	<u>\$ 22,711</u>	<u>\$ 1,109,234</u>	<u>\$ 1,080,587</u>
\$ -	\$ 914	\$ 2,921	\$ 11,190
547	-	4,044	-
-	18,077	137,066	48,367
<u>524,223</u>	<u>-</u>	<u>542,992</u>	<u>725,911</u>
524,770	18,991	687,023	785,468
<u>218,838</u>	<u>3,720</u>	<u>422,211</u>	<u>295,119</u>
<u>\$ 743,608</u>	<u>\$ 22,711</u>	<u>\$ 1,109,234</u>	<u>\$ 1,080,587</u>

Village of Paw Paw, Michigan

	Major Streets	Local Streets	Building Inspection
Revenue			
Property taxes	\$ 116,266	\$ 173,506	\$ -
Special assessments	20,645	-	-
State sources	164,892	65,244	-
Licenses and permits	-	-	22,170
Fundraising and activities	-	-	-
Interest	622	774	38
Other	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenue	302,425	239,524	22,208
Expenditures			
Public safety	-	-	28,106
Highways and streets	201,615	298,867	-
Other	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	201,615	298,867	28,106
Excess (Deficiency) of Revenue Over Expenditures	100,810	(59,343)	(5,898)
Other Financing Sources			
Operating transfers in	-	10,000	-
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures	100,810	(49,343)	(5,898)
Fund Balances - Beginning of year	3,663	149,269	1,152
	<hr/>	<hr/>	<hr/>
Fund Balances (Deficits) - End of year	\$ 104,473	\$ 99,926	\$ (4,746)

Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Revolving Loan	Wine & Harvest	For the Year Ended	
		February 29, 2004	February 28, 2003
\$ -	\$ -	\$ 289,772	\$ 273,268
-	-	20,645	62,213
-	-	230,136	220,646
-	-	22,170	30,292
-	38,844	38,844	47,558
23,845	268	25,547	36,513
<u>94,610</u>	<u>-</u>	<u>94,610</u>	<u>78,054</u>
118,455	39,112	721,724	748,544
-	-	28,106	31,447
-	-	500,482	827,489
<u>29,162</u>	<u>46,882</u>	<u>76,044</u>	<u>105,802</u>
<u>29,162</u>	<u>46,882</u>	<u>604,632</u>	<u>964,738</u>
89,293	(7,770)	117,092	(216,194)
<u>-</u>	<u>-</u>	<u>10,000</u>	<u>178,000</u>
89,293	(7,770)	127,092	(38,194)
<u>129,545</u>	<u>11,490</u>	<u>295,119</u>	<u>333,313</u>
<u>\$ 218,838</u>	<u>\$ 3,720</u>	<u>\$ 422,211</u>	<u>\$ 295,119</u>

Village of Paw Paw, Michigan

Major Street Fund Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget & Actual Year Ended February 29, 2004

	2004	2004	Variance	2003
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenue				
Property taxes	\$ 118,300	\$ 116,266	\$ (2,034)	\$ 110,152
Special assessments	21,583	20,645	(938)	62,213
State sources	160,000	164,892	4,892	158,151
Interest	2,315	622	(1,693)	2,409
Other	1,125	-	(1,125)	1,123
Total revenue	303,323	302,425	(898)	334,048
Expenditures				
Administration	117,787	92,511	25,276	89,084
Routine maintenance	108,050	89,346	18,704	567,523
Traffic control	9,950	6,008	3,942	2,191
Winter maintenance	29,550	13,750	15,800	20,921
Total expenditures	265,337	201,615	63,722	679,719
Excess (Deficiency) of Revenues Over Expenditures	37,986	100,810	62,824	(345,671)
Other Financing Sources				
Operating transfers in	-	-	-	175,000
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	37,986	100,810	62,824	(170,671)
Fund Balance - Beginning of year	3,663	3,663	-	174,334
Fund Balance - End of year	\$ 41,649	\$ 104,473	\$ 62,824	\$ 3,663

Village of Paw Paw, Michigan

Local Street Fund Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget & Actual Year Ended February 29, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Revenue				
Property taxes	\$ 176,100	\$ 173,506	\$ (2,594)	\$ 163,116
State sources	62,600	65,244	2,644	62,495
Interest	850	774	(76)	866
Other	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>	<u>-</u>
Total revenue	242,550	239,524	(3,026)	226,477
Expenditures				
Administration	88,517	87,334	1,183	82,063
Routine maintenance	218,550	197,109	21,441	44,942
Traffic Control	5,700	2,406	3,294	1,639
Winter maintenance	<u>24,800</u>	<u>12,018</u>	<u>12,782</u>	<u>19,126</u>
Total expenditures	<u>337,567</u>	<u>298,867</u>	<u>38,700</u>	<u>147,770</u>
Excess (Deficiency) of Revenues Over Expenditures	(95,017)	(59,343)	35,674	78,707
Other Financing Sources				
Operating transfer in	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	(85,017)	(49,343)	35,674	78,707
Fund Balance - Beginning of year	<u>149,269</u>	<u>149,269</u>	<u>-</u>	<u>70,562</u>
Fund Balance - End of year	<u>\$ 64,252</u>	<u>\$ 99,926</u>	<u>\$ 35,674</u>	<u>\$ 149,269</u>

Village of Paw Paw, Michigan

Building Inspection Fund Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget & Actual Year Ended February 29, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Revenue				
Licenses and permits	\$ 37,200	\$ 22,170	\$ (15,030)	\$ 30,292
Interest and rents	<u>50</u>	<u>38</u>	<u>(12)</u>	<u>76</u>
Total revenue	37,250	22,208	(15,042)	30,368
Expenditures	<u>33,750</u>	<u>28,106</u>	<u>5,644</u>	<u>31,447</u>
Excess (Deficiency) of Revenues Over Expenditures	3,500	(5,898)	(9,398)	(1,079)
Other Financing Sources				
Operating transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	3,500	(5,898)	(9,398)	1,921
Fund Balance - Beginning of year	<u>1,152</u>	<u>1,152</u>	<u>-</u>	<u>(769)</u>
Fund Balance (Deficit) - End of year	<u>\$ 4,652</u>	<u>\$ (4,746)</u>	<u>\$ (9,398)</u>	<u>\$ 1,152</u>

Village of Paw Paw, Michigan

Revolving Loan Fund Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget & Actual February 29, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Revenue				
Principal payments	\$ 152,385	\$ 94,610	\$ (57,775)	\$ 76,931
Interest	<u>25,640</u>	<u>23,845</u>	<u>(1,795)</u>	<u>32,840</u>
Total revenue	178,025	118,455	(59,570)	109,771
Expenditures				
Salaries and services	33,292	29,162	4,130	31,595
Loans granted	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>20,074</u>
Total expenditures	<u>133,292</u>	<u>29,162</u>	<u>104,130</u>	<u>51,669</u>
Excess of Revenues Over Expenditures	44,733	89,293	44,560	58,102
Fund Balance - Beginning of year	<u>129,545</u>	<u>129,545</u>	<u>-</u>	<u>71,443</u>
Fund Balance - End of year	<u>\$ 174,278</u>	<u>\$ 218,838</u>	<u>\$ 44,560</u>	<u>\$ 129,545</u>

Village of Paw Paw, Michigan

Wine and Harvest Fund Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget & Actual Year Ended February 29, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Revenue				
Fundraising	\$ 53,000	\$ 38,844	\$ (14,156)	\$ 47,558
Interest and rents	250	268	18	322
Total revenue	53,250	39,112	(14,138)	47,880
Expenditures	<u>56,825</u>	<u>46,882</u>	<u>9,943</u>	<u>54,133</u>
Deficiency of Revenue Over Expenditures	(3,575)	(7,770)	(4,195)	(6,253)
Fund Balance - Beginning of year	<u>11,490</u>	<u>11,490</u>	<u>-</u>	<u>17,743</u>
Fund Balance - End of year	<u>\$ 7,915</u>	<u>\$ 3,720</u>	<u>\$ (4,195)</u>	<u>\$ 11,490</u>

Village of Paw Paw, Michigan

	Electric	Wastewater
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,178,760	\$ 348,328
Accounts receivable	344,764	88,845
Inventory	63,542	-
Due from other funds	<u>48,367</u>	<u>-</u>
Total current assets	1,635,433	437,173
Long-Term Assets		
Advances to other funds	780,684	-
Capital assets	<u>1,457,305</u>	<u>5,346,223</u>
Total assets	<u>\$ 3,873,422</u>	<u>\$ 5,783,396</u>
Liabilities and Fund Equity		
Current Liabilities		
Current portion of long-term debt	\$ -	\$ 25,000
Accounts payable	182,681	22,163
Customer deposits	27,989	3,503
Accrued and other liabilities	33,280	20,478
Due to other funds	<u>15,819</u>	<u>30,651</u>
Total current liabilities	259,769	101,795
Long-Term Liabilities		
Advances from other funds	-	780,684
Long-term debt - Net of current portion	-	685,000
Total long-term liabilities	-	1,465,684
Fund Equity		
Contributed capital	60,858	2,980,380
Retained earnings	<u>3,552,795</u>	<u>1,235,537</u>
Total fund equity	<u>3,613,653</u>	<u>4,215,917</u>
Total liabilities and fund equity	<u>\$ 3,873,422</u>	<u>\$ 5,783,396</u>

**Enterprise Funds
Combining Balance Sheet**

Water	February 29, 2004	February 28, 2003
\$ 114,765	\$ 1,641,853	\$ 1,235,562
81,281	514,890	515,333
5,430	68,972	57,028
-	48,367	75,334
201,476	2,274,082	1,883,257
-	780,684	782,641
3,311,053	10,114,581	10,519,062
\$ 3,512,529	\$ 13,169,347	\$ 13,184,960
\$ 125,000	\$ 150,000	\$ 145,000
9,517	214,361	180,740
2,380	33,872	27,932
20,342	74,100	78,874
188,573	235,043	29,613
345,812	707,376	462,159
64,424	845,108	857,641
1,542,340	2,227,340	2,377,340
1,606,764	3,072,448	3,234,981
603,454	3,644,692	3,751,645
956,499	5,744,831	5,736,175
1,559,953	9,389,523	9,487,820
\$ 3,512,529	\$ 13,169,347	\$ 13,184,960

Village of Paw Paw, Michigan

	Electric	Wastewater
Operating Revenue		
Charges for services	\$ 2,594,403	\$ 645,900
Rental	-	12,101
Other	<u>24,495</u>	<u>75</u>
Total operating revenue	2,618,898	658,076
Operating Expenses		
Energy purchased	1,917,008	-
Salaries, wages and benefits	257,347	53,150
Supplies	34,498	8,925
Contracted services	4,612	215,390
Utilities	-	9,257
Equipment rental	43,272	17,382
Depreciation	99,924	207,536
Repair and maintenance	1,821	33,342
Payment in lieu of taxes	145,000	-
Administrative services transfer	187,365	108,671
Other	<u>12,941</u>	<u>599</u>
Total operating expenses	<u>2,703,788</u>	<u>654,252</u>
Operating Income (Loss)	(84,890)	3,824
Nonoperating Revenue (Expenses)		
Interest income	34,013	1,412
Interest expense	(280)	(59,512)
Total nonoperating revenue (expenses)	<u>33,733</u>	<u>(58,100)</u>
Net Income (Loss)	(51,157)	(54,276)
Add Depreciation on Fixed Assets		
Acquired from Grants	-	106,953
Retained Earnings - Beginning	<u>3,603,952</u>	<u>1,182,860</u>
Retained Earnings - Ending	<u>\$ 3,552,795</u>	<u>\$ 1,235,537</u>

Enterprise Funds
Combining Statement of Revenue, Expenses
and Changes in Retained Earnings

Water	Year Ended	
	February 29, 2004	February 28, 2003
\$ 415,278	\$ 3,655,581	\$ 3,882,986
42,000	54,101	59,000
919	25,489	24,328
458,197	3,735,171	3,966,314
-	1,917,008	1,954,304
112,510	423,007	453,236
23,090	66,513	82,094
25,398	245,400	202,878
12,512	21,769	24,245
30,401	91,055	112,979
86,732	394,192	390,605
2,265	37,428	41,161
-	145,000	145,000
93,682	389,718	360,985
886	14,426	12,054
387,476	3,745,516	3,779,541
70,721	(10,345)	186,773
1,064	36,489	49,585
(64,649)	(124,441)	(130,692)
(63,585)	(87,952)	(81,107)
7,136	(98,297)	105,666
-	106,953	106,953
949,363	5,736,175	5,523,556
\$ 956,499	\$ 5,744,831	\$ 5,736,175

Village of Paw Paw, Michigan

	Electric	Wastewater
Cash Flows from Operating Activities		
Operating income (loss)	\$ (84,890)	\$ 3,824
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	99,924	207,536
Changes in assets and liabilities:		
Receivables	567	6,366
Inventory	(10,570)	-
Due from other funds	26,967	-
Accounts payable	29,331	662
Customer deposits	4,151	844
Accrued Liabilities	(8,220)	1,723
Due to other funds	15,819	28,005
Net cash provided by operating activities	73,079	248,960
Cash Flows from Noncapital Financing Activities		
Long-term advance to/from other funds	1,957	(1,957)
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	-	(20,000)
Interest paid on long-term debt	(280)	(59,512)
Purchase of capital assets	(7,079)	(3,539)
Net cash used in capital and related financing activities	(7,359)	(83,051)
Cash Flows from Investing Activities		
Redemptions of investment securities	-	-
Interest received on investments	34,013	1,412
Proceeds from the sale of capital assets	-	24,722
Net cash provided by investing activities	34,013	26,134
Net Increase (Decrease) in Cash and Cash Equivalents	101,690	190,086
Cash and Cash Equivalents - Beginning of year	1,077,070	158,242
Cash and Cash Equivalents - End of year	\$ 1,178,760	\$ 348,328

Enterprise Funds
Combining Statement of Cash Flows

Water	Year Ended	
	February 29, 2004	February 28, 2003
\$ 70,721	\$ (10,345)	\$ 186,773
86,732	394,192	390,605
(6,490)	443	15,827
(1,374)	(11,944)	(5,931)
-	26,967	(54,834)
3,628	33,621	83
945	5,940	890
1,723	(4,774)	(3,783)
<u>161,606</u>	<u>205,430</u>	<u>(37,544)</u>
317,491	639,530	492,086
(10,576)	(10,576)	75,000
(125,000)	(145,000)	(290,415)
(64,649)	(124,441)	(130,692)
<u>(3,815)</u>	<u>(14,433)</u>	<u>(387,420)</u>
(193,464)	(283,874)	(808,527)
-	-	100,000
1,064	36,489	49,585
<u>-</u>	<u>24,722</u>	<u>-</u>
<u>1,064</u>	<u>61,211</u>	<u>149,585</u>
114,515	406,291	(91,856)
<u>250</u>	<u>1,235,562</u>	<u>1,327,418</u>
<u>\$ 114,765</u>	<u>\$ 1,641,853</u>	<u>\$ 1,235,562</u>

Village of Paw Paw, Michigan

Water Fund Schedule of Indebtedness February 29, 2004

Water Bond - Refunding Bonds

Dated February 13, 2001 in the Amount of \$ 1,195,000

Less:

Amounts paid during prior years 105,000
Payment due and paid in current year 90,000

Balance Outstanding - February 29, 2004 \$ 1,000,000

Bond payments as follows:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005	\$ 41,965	\$ 90,000	\$ 131,965
2006	38,455	115,000	153,455
2007	33,913	110,000	143,913
2008	29,513	110,000	139,513
2009	25,058	105,000	130,058
2010	20,700	105,000	125,700
2011	16,238	125,000	141,238
2012	10,800	120,000	130,800
2013	<u>5,460</u>	<u>120,000</u>	<u>125,460</u>
Total	<u>\$ 222,102</u>	<u>\$ 1,000,000</u>	<u>\$ 1,222,102</u>

The above payments are due annually on November 1 with interest payable semi-annually on May 1 and November 1, at rates ranging from 3.8 percent to 4.55 percent.

Village of Paw Paw, Michigan

Water Fund Schedule of Indebtedness February 29, 2004

Water Bond - Water Supply System No. 2

Dated September 28, 1998 in the Amount of \$ 830,000

Less:

Amounts paid during prior years 127,660
Payment due and paid in current year 35,000

Balance Outstanding - February 29, 2004 \$ 667,340

Bond payments as follows:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005	\$ 16,684	\$ 35,000	\$ 51,684
2006	15,808	35,000	50,808
2007	14,934	40,000	54,934
2008	13,933	40,000	53,933
2009	12,934	40,000	52,934
2010	11,933	40,000	51,933
2011	10,934	40,000	50,934
2012	9,933	45,000	54,933
2013	8,809	50,000	58,809
2014	7,556	50,000	57,556
2015	6,309	50,000	56,309
2016	5,058	50,000	55,058
2017	3,809	50,000	53,809
2018	2,558	50,000	52,558
2019	<u>1,309</u>	<u>52,340</u>	<u>53,649</u>
Total	<u>\$ 115,902</u>	<u>\$ 667,340</u>	<u>\$ 809,841</u>

The above payments are due annually on October 1 with interest payable semi-annually on April 1 and October 1 at 2.5 percent.

Village of Paw Paw, Michigan

Sewer Fund Schedule of Indebtedness February 29, 2004

Sewer Bond - Sewage Disposal System

Dated January 1, 2001 in the Amount of \$ 750,000

Less:

Amounts paid during prior years 20,000
Payment due and paid in current year 20,000

Balance Outstanding - February 29, 2004 **\$ 710,000**

Bond payments as follows:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005	\$ 34,683	\$ 25,000	\$ 59,683
2006	33,183	25,000	58,183
2007	31,883	25,000	56,883
2008	30,665	30,000	60,665
2009	29,210	35,000	64,210
2010	27,626	35,000	62,626
2011	25,910	40,000	65,910
2012	24,050	40,000	64,050
2013	22,030	45,000	67,030
2014	19,848	45,000	64,848
2015	17,496	50,000	67,496
2016	14,857	55,000	69,857
2017	11,938	60,000	71,938
2018	8,863	60,000	68,863
2019	5,628	65,000	70,628
2020	1,969	75,000	76,969
Total	<u>\$ 339,839</u>	<u>\$ 710,000</u>	<u>\$ 1,049,839</u>

The above payments are due annually on April 1 with interest payable semi-annually on April 1 and October 1, at rates ranging from 4.4 percent to 6.0 percent.